

Responsibilities of Members of the Federal Accounting Standards Advisory Board

This document discusses some aspects of the responsibilities of members of the Federal Accounting Standards Advisory Board (FASAB or "the Board"). It first reviews the Board's collective responsibility. It then deals with the responsibilities of individual members in addressing the Board's collective goals. In doing so it also highlights qualities that are relevant to evaluating candidates for Board membership.

The basic requirements for membership on the Federal Accounting Standards Advisory Board (FASAB or the Board) are described in the Memorandum of Understanding (MOU) that created FASAB. Section 1, paragraph B of the MOU deals with selection and appointment of FASAB members. It reads, in part:

The GAO, OMB, Treasury, and CBO [Congressional Budget Office] members will be selected by their respective agencies and serve at the discretion of their respective agency heads. The members from the defense and civilian agencies and the three non-Federal members will be selected by the JFMIP principals. In selecting members, the JFMIP principals shall:

- (1) seek nominations from a wide variety of sources;
- (2) consider among other criteria, an individual's
 - (A) broad professional background,
 - (B) current or prior Federal government employment with relevant financial management experience, and
 - (C) expertise in Federal government accounting, financial reporting, and financial management; and
- (3) in selecting non-Federal members, consider the recommendations of a panel convened by the chairperson.

Board members are appointed to consider and promulgate accounting standards and principles for the Federal Government. Their collective responsibilities are suggested by the Board's Mission Statement, which reads in part:

The mission of the FASAB is to recommend accounting standards to the JFMIP principals after considering the financial and budgetary information needs of congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government's accountability and its efficiency and effectiveness, and (2) the economic,

political, and social consequences of the allocation and various uses of federal resources.

Accounting standards should:

- o result in federal agencies providing users of financial reports information that is understandable, relevant, and reliable about the financial position, activities, and results of operations of the United States government and its component units; and
- o foster the improvement of accounting systems and effective internal controls that will help provide reasonable assurance to users that governmental activities can be conducted economically, efficiently, and effectively, and in compliance with applicable laws and regulations.

To accomplish its mission, the FASAB acts to:

- o Determine the primary users of federal financial information and their needs;
- o Recommend accounting standards and principles that improve the usefulness of financial reports based on the needs of users and on the primary characteristics of understandability, relevance, and reliability;
- o Provide advice to central financial agencies on implementing the standards;
- o Improve the common understanding of information contained in financial reports;
- o Recommend standards and principles only when the expected benefits exceed the perceived costs;
- o Review the effects of current standards and recommend amendments or replace standards when appropriate; and
- o Use a thoughtful, open, neutral, and fair deliberative process and consider the accountability and decision-making needs of users;
- o Develop rules of procedures designed to permit timely, thorough, and open study of financial accounting and reporting issues and to encourage broad public participation in all phases of the accounting standard-setting process.
- o Be objective and neutral and ensure, as much as possible, that the information resulting from its proposed standards is a faithful representation of the effects of federal government activities. Objective and neutral mean freedom from bias, precluding the FASAB from placing any particular interest above the interests of the many who rely on the information contained in financial reports.

To accomplish this mission, individual members should possess certain attributes, and have a responsibility to act in certain ways. Those responsibilities and attributes include the following:

1. Awareness of the federal financial reporting environment--A member should have a broad understanding of the environment in which the Federal Government operates. A member should understand the forces that affect accounting and financial reporting in that environment and the impact that accounting and financial reporting can have in that environment. A member should maintain an up-to-date understanding of such matters. This does not imply that every member should have worked for the Federal Government or that every member must have extensive, specialized knowledge of the Federal Government before being appointed to the Board. The Federal Government affects all citizens in a wide variety of ways, and a wide

variety of citizens are interested in various aspects of the Government, including its accounting and financial reporting. Accordingly, people with a variety of backgrounds may bring relevant expertise to the Board's deliberations.

2. Knowledge of accounting and financial reporting--A member should have a reasonable level of knowledge and technical competence in financial accounting and reporting so as to contribute positively to the Board's efficiency, effectiveness, and credibility. A member should maintain an up-to-date understanding of such matters. This does not imply that every member should have worked as an accountant or auditor or otherwise have extensive, specialized knowledge of accounting and financial reporting before being appointed to the Board. The objectives of federal financial reporting encompass concern with reporting on systems, controls, and performance as well as more traditional accounting concerns. Accordingly, people with a wide variety of backgrounds including--for example--economics, public administration, and public policy analysis may bring relevant expertise to the Board's deliberations.
3. High intellect applied with integrity and discipline--A member should critically assess issues, and should reach conclusions regarding sound accounting and financial reporting policy based on objective, logical analysis. This implies that members must have the ability to absorb and process complex information.
4. Judicial temperament--A member should consider the evidence on all sides of an issue, call for additional evidence if necessary, and reach a decision within a reasonable period of time.
5. Ability to work in a collegial atmosphere--A member should work in a collegial way to contribute to a process characterized by group decision making. Members should be tactful, respectful of others' viewpoints, and mindful of the need to agree on timely, workable solutions to problems. Members should be willing and able to articulate clearly their views on issues; at the same time they should be willing to make reasonable compromises that will lead to improvements.
6. Communication skills--Board members should communicate effectively orally and in writing. Oral communication includes discussion in Board meetings and public hearings, dialogue with other members and staff of the Board and federal agencies, and contacts with individuals who are not federal employees. Written communication includes internal memoranda, speeches, articles, and correspondence with individuals concerned with federal accounting and financial reporting. All communication should be characterized by thought, tact, and clarity.
7. Commitment to the FASAB's mission--A member should be committed to the Board's mission and to the hard work necessary to fulfill it. The member should understand the role of due process and the need for consensus-building in developing standards.
8. Advance preparation--A member should study materials prepared by staff and sent to each member in advance of each meeting. To participate effectively and contribute to the Board's decision making process, members often may also need to review other relevant literature, which may include publications of Government agencies, other accounting standards-setting bodies, professional groups, and academic research.
9. Availability--A member should participate in Board meetings and public hearings, preferably in

person. The Board meets in Washington, DC typically one day once every month or every other month for two days. Meetings generally begin at 9 am and conclude at or before 4 pm. Members should arrive in advance to ensure that deliberations begin promptly at 9 am.

10. Regular meetings are scheduled in at least six months before the end of each calendar year for the following calendar year. Additional special meetings and public hearings are occasionally scheduled as needed in consultation with members to fit as many of their schedules as possible.
11. Attendance is critical for the timely resolution of complex issues. Undoubtedly circumstances will arise that prevent attendance for part or all of a particular meeting. Such circumstances include family emergencies, illness, hazardous weather conditions¹, previously unscheduled meetings relating to the primary job responsibilities of members, and other emergencies. In these cases, members should send a non-voting alternate to the extent practicable. The alternate should be thoroughly familiar with Board issues, able to participate in Board discussions, and represent the views of the member in his or her absence. In selecting an alternate, Board members should consider the responsibilities and attributes indicated in this document.
12. Voting--The rules of procedure provide for written ballots on exposure drafts and recommended standards. The final vote is reported in the basis for conclusions of each recommended standard.
13. “Alternative views” may be incorporated in exposure drafts to request comments from respondents on the specific view or proposal of a member. Members should draft their own alternative view and may seek assistance from the staff either in preparing, reviewing or researching the document. Members are encouraged to seek input from individual members of the Board on draft alternative views. Generally, the alternative view should explain the alternative treatment, why the member believes this to be a more appropriate treatment than the treatment proposed by the majority of the Board, and pose specific questions to respondents. The alternative view should clearly state the difference(s) between the Board’s proposal and the alternative proposal, and should not reiterate positions that the majority of the Board has taken.
14. Board members may **dissent** to Board Statements if they do not concur with a decision of the majority. Dissenting Board members should submit a letter addressed to the principals explaining their reasons for dissenting. The dissent will be forwarded to the principals with the Statement. In addition, a dissenting member may request that his or her name and dissent be reported in the minutes.

¹Since the Board has many out of town members, practice has been to cancel or delay meetings in the event of very hazardous weather conditions. These decisions are generally made shortly before a meeting and members notified directly.

15. **Abstentions** are not encouraged and should be used only in the event that the member is not sufficiently familiar with an issue to confidently vote on an urgent matter before the Board. Generally, it is expected that this will occur only as new members join the Board.
16. **Recusal** from voting is an option that should be considered carefully as there is a strong preference that all members vote. Members may consult the Chairman for advice on the appropriateness of recusal in specific circumstances. In deciding whether to consult with the Chairman, the member should consider whether he or she is able to vote in a manner consistent with his or her responsibility to maintain a judicial temperament (see item 4 of the responsibilities statement). If warranted, the Chairman might then seek input or a ruling from the principals. In any event, the member should not refrain from participating in the deliberations leading up to a vote but must make other members aware as soon as possible that he or she intends to recuse himself or herself.